



***Department of the Navy
Strategic Plan for Achieving an Unqualified Opinion***

***Office of the Assistant Secretary of the Navy
(Financial Management and Comptroller)***

***Department of the Navy
Financial Improvement Plan
(DON FIP)***

DON FIP Status Update

3 November 2004

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FMO DON FIP Team Lead



GF Investments, Other Liabilities, Environmental Liabilities

Navy General Fund

	<u>ALL EXCEPT NON-DERP</u>	<u>NON-DERP</u>
Assertion Target	Upon Completion of Validation	TBD
Lead Org (s)	FMO	NAVFAC
FMO POC	Gilbert Gardner, 202-685-6727 202-685-6730	Warren Pfeiffer,

Issues

- * Estimating Non-DERP Liability represents a major deficiency in DON's plan to achieve an unqualified audit opinion.

Actions Taken

- * Documentation of Associated Processes, Systems, and Controls
 - ▶ Documentation of the above line items was performed by FMO in cooperation with AAUSN, USNA, USMC, DFAS, NAVFAC, NAVSEA, and SSP.
- * Validation
 - ▶ Investment binder has been reviewed by NAVAUDSVC and forwarded to DoDIG as ready for audit. (First formal assertion in the OSD process).
 - ▶ NAVAUDSVC is currently reviewing Other Liabilities and Environmental Liabilities packages.



Fund Balance with Treasury

Navy General Fund

Assertion 9/30/05
Target

Lead Org (s) DFAS-CL & DFAS-KC

FMO DOC Vicki Beck 202-695-6721

Navy Working Capital Fund

Assertion 09/30/05
Target

Lead Org(s) DFAS-CL & DFAS-KC

FMO DOC Phillip Graham 202-695-

Issues

- * Items posted to suspense accounts distort balances
- * Items posted to deposits in transit distort balances
- * Check issue discrepancies are too high for the over 60 day timeframe
- * Problem disbursements affect the accuracy of accounting report
- * Undistributed disbursements and collections affect the accuracy of accounting reports

- * Reconciliation process (Navy to DFAS and DFAS to Treasury) has some unsettled cash issues to address
- * Problem disbursements affect the accuracy of the accounting reports
- * Undistributed disbursements and collections affect the accuracy of accounting reports
- * Cash is not distributed to the activity level



Fund Balance with Treasury

Actions Taken

- * DFAS-CL has developed a comprehensive FBWT plan.
- * Working with DFAS to continue to reduce problem disbursements.
- * Development of the Undistributed Tracking Process (UTP).

Command Roles and Actions

- * Work with DFAS Cleveland in analysis of undistributed and unsupported balances as required.
- * Reduce and prevent undistributed and unsupported disbursements and collections.
- * Initiate action to resolve cash discrepancies.
- * Implement Problem Disbursement inflow reduction measures.
- * Comply with Problem Disbursement FY 05 Reduction Goals.
- * Identify and implement business practice improvements.



Command Roles and Actions

- * Work with DFAS Cleveland in analysis of undistributed and unsupported balances as required.
- * Reduce and prevent undistributed and unsupported disbursements and collections.
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- * Implement Problem Disbursement inflow reduction measures.
- * Comply with Problem Disbursement FY 05 Reduction Goals.
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Accounts Receivable (AR)

Navy General Fund

Assertion 09/30/2005
Target
Lead Org (s) DFAS Cleveland, DFAS
Kansas City, Major
Commands, HQMC

Navy Working Capital Fund

Assertion 09/30/2005
Target
Lead Org(s) DFAS Cleveland, DFAS
Kansas City, Major
Commands, HQMC

Issues

- * Employee debt not accounted for properly.
 - * Receivables for refunds and claims for contract overpayments may not not accounted for properly.
 - * AR total not adjusted for estimated uncollectible amounts.
 - * AR total includes balances that are overaged.
 - * Accuracy of reported AR balance is unsupported.
- * ⁶⁷²⁹AR balances are not complete for employee debt.
 - * Receivables for refunds and claims for contract overpayments may not be accounted for properly.
 - * AR total not adjusted for estimated uncollectible amounts.
 - * AR total includes balances that are overaged.
 - * Residual accounting continues for closed/BRAC activities.



Accounts Receivable (AR)

Actions Taken

- * Established as Navy-wide goal that Accounts Receivable be collected (or if necessary written-off or closed out) within one year of origination.
 - ▶ Proposed new guidance from OUSD(C) directs that DFAS must coordinate write-offs with DON Major Commands
- * Designed an Accounts Receivable Aging report (General Fund) for use by DON Major Commands providing detailed accounting information.
- * Developing approach for write-off of receivables in STARS-HCM.
- * Researching methodology to populate an allowance account for doubtful debt.
- * Participating in the Intragovernmental Transaction System (IGTS) Working Group on the elimination methodology.



Command Roles and Actions

- * Commands continue to work with DFAS to reduce overaged Intragovernmental Accounts Receivable to less than one year.
- * Commands continue to work with DFAS to write off uncollectible balances.
- * Begin preparation of validation packages.
- * Implement IGTS requirements as necessary and applicable.



Inventory, Operating Materials & Supplies (I, OM&S)

Navy General Fund (OM&S)

Assertion FY 2007
Target

Lead Org (s) NAVSUP, FMO, Selected
Commands

FMO POC Beverly Veit, 202-685-

Navy Working Capital Fund (Inventory)

Assertion FY 2007
Target

Lead Org(s) NAVSUP, FMO, Marine
Corps

Issues

- * Existence and Completeness of all items uncertain.
- * Systems Strategy for Integration with Acquisition and Supply Systems needs to be defined.
- * Moving Average Cost (MAC) not uniformly applied.
- * Baseline Valuation / Historical Cost calculations needed.
- * In-Transit Items not being fully tracked and accounted for.
- * Repair Items not being fully tracked and accounted for.

- ~~FMO POC Beverly Veit, 202-685-67189~~
- * ~~Systems Strategy for Integration with Acquisition and Supply~~
Systems needs to be defined.
 - * Moving Average Cost (MAC) not uniformly applied.
 - * Baseline Valuation / Historical Cost calculations needed.
 - * In-Transit Items not being fully tracked and accounted for.
 - * Repair Items not being fully tracked and accounted for.



Inventory, Operating Materials & Supplies (I, OM&S)

Actions Taken

- * Creation of DON-wide I, OM&S working group to address all deficiencies.
- * Coordinating DON activities with the DoD I, OM&S initiative.
- * Implementation of Navy Converged ERP.

Command Roles and Actions

- * Each Command must update the FIP, addressing known deficiencies.
- * Each Command must contribute to the DON-wide I, OM&S working group, implementing corrective actions as identified to address known deficiencies.



Navy General Fund

Assertion Target	FY 2007
Lead Org (s)	FMO, Selected Commands
FMO POC	Beverly Veit, 202-685- 6718

Issues

- * Known Deficiencies:
 - ▶ Baseline Valuation / Historical Cost calculations needed.
 - ▶ Universe of items must be identified.
 - ▶ System to manage data must be developed.
 - ▶ Contracting systems must be modified to support collection of data at level required to calculate depreciation at unit level.
 - ▶ Electronic Receipt and Acceptance systems not in place.



Actions Taken

- * Coordinating DON activities with the DoD Military Equipment Initiative to address all deficiencies.
- * Development and Configuration of the Capital Asset Management System (CAMS) for Military Equipment is underway.

Command Roles and Actions

- * Continue to support the development of baseline valuations.



Accounts Payable

Navy General Fund

Assertion 12/31/2005
Target

Lead Org (s) FMO

FMO DOC Phillip Graham 202 685

Navy Working Capital Fund

Assertion 09/30/2005
Target

Lead Org(s) FMO

FMO DOC Phillip Graham 202 685

Issues

- * All business events that should result in A/P for the purchase of a good or service, and for the transportation of persons and things may not be recorded correctly.
- * Accruals are not recorded properly in SABRS.
- * A/P not recorded for all supplies and materials transactions.
- * A/P not recorded for all contractual goods and services transactions.

- * Buyer-side trading partner information is not currently being captured and reported.
- * A/P not recorded for rent, communications, and utilities (RWOs).
- * The A/P value reported includes over-aged balances.



Actions Taken

- * Distributed DON-wide business Guidelines for properly recognizing A/P:
- * Working with key stakeholders to create an electronic data interchange between Defense systems and the official accounting system to automate A/P recognition for select types of business transactions:

System Transaction

- | | |
|---------------------------------------|--------------------------------------|
| ▶ Defense Travel System | Travel and Transportation of Persons |
| ▶ PowerTrack | Transportation of Things |
| ▶ Defense Automated Addressing System | MILSTRIP Supplies and Materials |
| ▶ Wide Area Workflow | Other Contractual Goods and Services |
-
- * Conducting workshops with DON activities to address and resolve common issues in recognizing A/P and develop practical solutions. Three workshops are in the pipeline:

▶ Reimbursable Work Orders	October 2004
▶ MILSTRIP	November 2004 (tentative date)
▶ Vendor Pay	December 2004 (tentative date)



Command Roles and Actions

- * By the end of FY 2005, GF commands begin recording A/P transactions in a timely fashion, either manually or through an automated solution.
- * Develop a plan of action for successfully recognizing A/P transactions and measuring progress:
 - ▶ Document A/P processes.
 - ▶ Identify and justify resource requirements.
 - ▶ Submit plans no later than 3 December 2004
- * Support A/P working groups.